

COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LIMITADA.

Annual Financial statements

As of December 31, 2015 and 2014

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MCh\$ - Millions of Chilean pesos





INDEPENDENT AUDITORS' REPORT  
(Translation from the original in Spanish)

Santiago, January 27, 2016

Chairman and Members of the Board of Directors  
Cooperativa del Personal de la Universidad de Chile Limitada

We have audited the accompanying financial statements of Cooperativa del Personal de la Universidad de Chile Limitada (hereinafter “the Cooperative”) which comprise the statements of financial position as of December 31, 2015, and the related statements of income and cash flows for the year then ended, and the related notes to the financial statements.

*Management responsibility for the financial statements*

Management is responsible for the preparation and fair presentation of these financial statements of Cooperativa del Personal de la Universidad de Chile Limitada in accordance with accounting standards issued by the Superintendence of Banks and Financial Institutions that apply to Savings and Loans Cooperatives. This responsibility includes the design, implementation and maintenance of relevant internal control for the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with generally accepted auditing standards in Chile. Those standards require that we plan and perform our work to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement in the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant for the preparation and fair presentation of the financial statements of the Cooperative in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, we do not express such an opinion. An audit also includes evaluating the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



Santiago, January 27, 2016

Chairman and Members of the Board of Directors  
Cooperativa del Personal de la Universidad de Chile Limitada  
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We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of Cooperativa del Personal de la Universidad de Chile Limitada as of December 31, 2015, and the results of its operations and cash flows for the year then ended, in accordance with accounting standards issued by the Superintendence of Banks and Financial Institutions that apply to Savings and Loans Cooperatives.

*Other matters*

The financial statements of Cooperativa del Personal de la Universidad de Chile Limitada for the year ended December 31, 2014, were audited by other auditors, who issued an unqualified opinion in their report dated January 29, 2015.

PRICEWATERHOUSE COOPERS

COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.

STATEMENT OF FINANCIAL POSITION

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(In millions of Chilean pesos - MCh\$)

<u>ASSETS</u>	<u>2015</u>	<u>2014</u>	<u>LIABILITIES AND EQUITY</u>	<u>2015</u>	<u>2014</u>
	MCh\$	MCh\$		MCh\$	MCh\$
ASSETS			LIABILITIES		
Cash and banks	21,780.5	24,735.7	Deposits and other obligations		
Loans and receivables			Deposits	501,405.6	489,523.7
Commercial loans	22,469.5	22,653.0	Other on demand and term deposits	30,691.3	32,758.2
Consumer Loans	794,581.4	784,124.2			
Other current loans	355,985.9	348,248.5			
Overdue portfolio	<u>7,178.9</u>	<u>10,707.9</u>			
Total loans and receivables	<u>1,180,215.7</u>	<u>1,165,733.6</u>	Total deposits and other obligations	<u>532,096.9</u>	<u>522,281.9</u>
Less: Allowance for loan losses	<u>(65,157.0)</u>	<u>(69,271.0)</u>	Financial liabilities (Bonds)	257,913.8	188,829.4
Total net loans and receivables	<u>1,115,058.7</u>	<u>1,096,462.6</u>	Financial liabilities with financial institutions and others		
Investments			Financial liabilities with Chilean financial institutions	25,837.3	71,543.7
Other financial investments	83,350.3	52,743.0	Other obligations	<u>926.5</u>	<u>1,908.5</u>
Other non-financial investments	<u>445.3</u>	<u>236.6</u>	Total loans payable to financial institutions and others	26,763.8	73,452.2
Total Investments	<u>83,795.6</u>	<u>52,979.6</u>			
Other assets	17,857.9	10,724.3	Other liabilities	<u>5,546.2</u>	<u>6,446.5</u>
Property, plant and equipment	2,944.1	3,240.3	TOTAL LIABILITIES	<u>822,320.7</u>	<u>791,010.0</u>
			EQUITY		
			Capital and reserves	383,505.9	364,891.3
			Net income for the year	<u>35,610.2</u>	<u>32,241.2</u>
			Total equity	<u>419,116.1</u>	<u>397,132.5</u>
TOTAL ASSETS	<u>1,241,436.8</u>	<u>1,188,142.5</u>	TOTAL LIABILITIES AND EQUITY	<u>1,241,436.8</u>	<u>1,188,142.5</u>

The accompanying notes 1 to 18 are an integral part of these financial statements.

COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(In millions of Chilean pesos - MCh\$)

	<u>2015</u>	<u>2014</u>
	MCh\$	MCh\$
Operating income		
Interest and readjustment income	183,531.8	186,177.2
Commission income	21,112.6	20,338.4
Other operating income	<u>1,322.1</u>	<u>826.5</u>
Total operating income	<u>205,966.5</u>	<u>207,342.1</u>
Less:		
Interest and readjustment expenses	(40,426.2)	(42,351.1)
Loss on revaluation of investments	(518.8)	-
Loss on foreign exchange	(8.4)	(114.5)
Commission expenses	(1,968.5)	(2,204.9)
Other operating expenses	<u>(45.3)</u>	<u>(2.7)</u>
Gross margin	<u>162,999.3</u>	<u>162,668.9</u>
Staff remuneration and expenses	(46,345.1)	(43,327.4)
Administrative and other expenses	(25,460.8)	(26,593.8)
Depreciation and amortization	<u>(2,933.1)</u>	<u>(1,580.9)</u>
Net margin	<u>88,260.3</u>	<u>91,166.8</u>
Provisions for assets at risk	(49,893.5)	(51,512.3)
Recovery of loans receivable written off	<u>13,351.6</u>	<u>12,742.2</u>
Net operating income	<u>51,718.4</u>	<u>52,396.7</u>
Non-operating income		
Non-operating income	560.6	1,388.2
Non-operating expenses	(1,539.4)	(1,080.4)
Inflation adjustments	<u>(14,438.0)</u>	<u>(19,981.8)</u>
Net income before tax	<u>36,301.6</u>	<u>32,722.7</u>
Income tax expense	<u>(691.4)</u>	<u>(481.5)</u>
NET INCOME FOR THE YEAR	<u>35,610.2</u> =====	<u>32,241.2</u> =====

The accompanying notes 1 to 18 are an integral part of these financial statements.

COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(In millions of Chilean pesos - MCh\$)

	<u>2015</u>	<u>2014</u>
	MCh\$	MCh\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income for the year	35,610.2	32,241.2
Debits (credits) not affecting cash flow		
Depreciation and amortization	2,933.1	1,580.9
Provision for assets at risk	49,893.5	51,512.3
Income tax provision	691.4	481.5
Inflation adjustments	14,438.0	19,981.8
Net changes in interest, readjustment and commission accruals	<u>2,214.1</u>	<u>12,940.0</u>
Net cash flows provided by operating activities	105,780.3	118,737.7
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net increase in loans and receivables	(98,777.4)	(118,300.9)
Net increase in investments	(30,054.0)	1,013.0
Purchase of property, plant and equipment and others	(737.8)	(1,050.7)
Purchase of intangible assets and construction in progress	(3,776.5)	(48.9)
Net increase (decrease) in other assets and liabilities	(2,936.0)	919.5
Net decrease (increase) in derivative contracts	<u>40.2</u>	<u>(39.5)</u>
Net cash flows used in investing activities	(136,241.5)	(117,507.5)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in deposits	34,133.0	33,610.2
Decrease in other on demand and term deposits	(2,066.9)	(4,297.1)
Decrease in financial liabilities with Chilean financial institutions	(46,558.9)	(33,897.8)
Decrease in financial liabilities with foreign financial institutions	-	(680.3)
Decrease in financial liabilities (bonds)	(17,035.0)	(54,565.2)
Increase in financial liabilities (bonds)	73,489.5	75,492.4
Decrease in other obligations	(587.1)	(901.0)
Capital stock increase	11,669.4	11,857.0
Net income distributed	(24,824.8)	(26,107.1)
Legal reserve for surpluses over 5 years (Art.100 of Regulations governing Cooperative Law)	<u>(4.0)</u>	<u>7.0</u>
Net cash flows provided by financing activities	28,215.2	518.1
TOTAL NET (NEGATIVE) POSITIVE CASH FLOWS FOR THE YEAR	(2,246.0)	1,748.3
EFFECT OF INFLATION ON CASH	<u>(709.2)</u>	<u>(1,514.2)</u>
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(2,955.2)	234.1
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	<u>24,735.7</u>	<u>24,501.6</u>
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	21,780.5	24,735.7
	=====	=====

The accompanying notes 1 to 18 are an integral part of these financial statements.

# COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1 – COMPANY INFORMATION

The Cooperativa del Personal de la Universidad de Chile Limitada (hereinafter "Coopeuch Ltda." or "the Cooperative") is a legal entity formed by Constitution Law 1 dated October 31, 1967, which was subscribed to a public deed dated December 6, 1967. The Ministry of Economic Affairs, Development and Tourism authorized its creation and approved its bylaws in Decree 122 dated January 29, 1968, published in the Official Gazette 26,970 dated February 16, 1968. Its legal address is Avenida Bernardo O'Higgins 301, Santiago, Chile.

Coopeuch Ltda. is a savings and loans cooperative with an indefinite legal duration. It has its own variable capital stock and an unlimited number of shareholders. The Cooperative's equity belongs to the shareholders and is divided into capital shares expressed in Chilean pesos.

Its purpose is to perform any transaction permitted by General Cooperative Law and the Regulations applicable to Savings and Loans Cooperatives, together with its shareholders and third parties. To promote cooperative principles and values among its members and promote their personal and financial well-being.

The Cooperative is subject to supervision and control by the Department of Cooperatives (hereinafter "Decoop") of the Ministry of Economic Affairs, Development and Tourism. Furthermore, according to Article 87 of General Cooperative Law, those Savings and Loans Cooperatives whose equity exceeds UF 400,000 are also subject to supervision and control by the Superintendency of Banks and Financial Institutions (hereinafter "SBIF") with respect to the economical transactions that fulfill to comply with its purpose.

### NOTE 2 - PRINCIPAL ACCOUNTING POLICIES

#### a. Information provided

These financial statements have been prepared in accordance with accounting standards contained in the Updated Compilation of Standards ("UCS") issued by the SBIF that apply to Savings and Loans Cooperatives.

For comparison purposes, the figures for 2014 have been updated to reflect the change in the Consumer Price Index of 3.9%.

#### b. Interest and readjustments

Loans, receivables financial liabilities are presented with their interest and readjustments accrued at the reporting date each year. However, the prudent criteria of suspending the accrual of interests and readjustments on over-due and high-risk loans and receivables has been followed.

#### c. Inflation adjustments

Non-monetary assets and liabilities, such as capital, property, plant and equipment, and others, are indexed according to changes in the Consumer Price Index (CPI), as required by Chapter 7-3 of the UCS and ratified by Ord. 7,759 issued by the Department of Cooperatives on December 21, 2009. As of December 31, 2015, this adjustment mechanism resulted in a net debit to net income of MCh\$ 14,438.0 (MCh\$ 19,981.9 in 2014). Accounts presented in the net income statement are not adjusted for inflation, accordingly net income for the year is not affected.

d. Foreign Currency

Assets and liabilities denominated in United States dollars at the reporting date are presented at their equivalent in pesos, calculated at the rate of \$707.34 per US\$ 1 (\$607.38 per US\$ 1 in 2014).

e. Financial investments

Investments in financial instruments are investments in term deposits, mutual funds and bonds issued by the Chilean Central Bank (BCU) and the Chilean General Treasury (BTU). The valuation policies are described below:

- Term deposits: Investments in permanent-term deposits are made with the intention of keeping them until maturity. These investments are presented at their acquisition value, plus accrued interest and readjustments.
- Mutual funds: Investments in mutual funds are presented at their market value on the reporting date.
- BCU and BTU Bonds: These investments are classified as permanent financial instruments with a secondary market and are presented at market value with their changes recognized in equity.

f. Financial derivatives

Contracts for financial derivatives are initially recognized at cost (including transaction costs) and subsequently measured at fair value. Fair value is obtained from market quotes and cash flow discount models, as appropriate, including present and future relevant market estimates of the size and liquidity of these positions. They are presented as assets when their fair value is positive and as a liability when this is negative, in the "Other assets" or "Other liabilities" line items, respectively.

g. Property, plant and equipment

These are valued at cost plus inflation adjustments and net of depreciation calculated on a straight line basis over the useful life of the respective assets.

h. Intangible assets

These are identifiable intangible assets and software investments, net of accumulated amortization. Investments in software and trademark licenses are valued at cost plus inflation adjustments and depreciated on a straight-line basis over their estimated useful life. The amortization period for software investments shall not exceed 6 years.

i. Allowance for loan losses

Allowances required to cover the risk of losses on assets have been established in accordance with the standards issued by the SBIF. Such assets are presented net of these allowances, or presented net of this allowance as in the case of loans and receivables.

As of December 31, 2015 and 2014, the Cooperative has additional provisions on its loans and receivables portfolio of MCh\$ 2,500, which includes expected portfolio impairment. This provision is calculated based on the Cooperative's past experience and the potential adverse macroeconomic expectations, or the circumstances that may affect a particular sector, industry, debtor group or project.

j. Staff vacations

The annual cost of staff vacations is recorded on an accrual basis.



k. Severance provision for years of service

The severance provision for years of service that the Cooperative must pay to employees is calculated by applying the present value method to the accrued benefit, with an annual discount rate of a 1.65% (1.47% in 2014).

l. Statements of cash flows

The statements of cash flows have been prepared using the indirect method.

m. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents are cash and bank balances included under the heading "Cash and banks" in the financial position statement.

n. Income tax regime

Article 17 of Decree Law 824 states that cooperatives are exempt from income tax, except for the part of net income that corresponds to transactions carried out with natural persons or legal entities who are not shareholders. As a result, the Cooperative does not recognize deferred tax.

Current income taxes have been based on the income tax rates contained in Law 20,780, published on September 29, 2014.

o. Estimated figures in the financial statements

Preparing financial statements in accordance with accounting standards issued by the SBIF requires management to make certain estimates and assumptions that affect the reported assets and liabilities, as well as the reported revenue and expenses during the reporting period. The actual figures may differ from these estimated amounts.

**NOTE 3 - ACCOUNTING CHANGES**

The Cooperative has updated its model for calculating its credit risk provision, in order to progress toward best risk management practices. The effects of changes to this model were applied prospectively as a change in accounting estimates, recognizing a debit to net income for 2015 of MCh\$ 1,410.

**NOTE 4 – MATERIAL EVENTS**

**Chief Executive Officer:**

On March 1, 2015, Mr. Rodrigo Silva Iñiguez replaced Ms. Siria Jeldes Chang as CEO, who submitted her resignation in a material event in October 2014, with effect from March 2015.

**The Board of Directors:**

The 49th General Shareholders Meeting of the Cooperativa del Personal de la Universidad de Chile Limitada, "Coopeuch Ltda.", was held on April 18, 2015, and according to the Cooperative's bylaws the following people were chosen as Directors: Ms. Siria Jeldes Chang and Mr. Alejandro Quintana Hurtado.

An Extraordinary Board Meeting was held on April 21, 2015, which appointed the Board of Directors for 2015-2016, as follows:

Chairman	:	Ms. Siria Jeldes Chang
Vice Chairman	:	Mr. Erik Haindl Rondanelli
Secretary	:	Ms. Edith Sanchez Meza
Director	:	Mr. Sergio Zúñiga Astudillo
Director	:	Mr. Andrés Reinstein Alvarez
Director	:	Mr. Alejandro Quintana Hurtado

#### Bonds Issued

On March 19, 2015, the Cooperative placed its Series "E2" Bonds, which were recorded in the register of the Superintendency of Banks and Financial Institutions on April 14, 2014. This series was issued for a total of UF 3,000.000, to mature in 25 years, with 50 semi-annual repayments, at an annual interest rate of 3.50%, with a placing IRR of 3.54%. The balance was MCh\$ 78,170 as of December 31, 2015.

#### Amendment to Cooperative Law

Law 20,881 was published on January 6, 2016, which amended General Cooperative Law.

#### NOTE 5. - RELATED PARTY TRANSACTIONS

Natural persons or legal entities that are directly, or through a third party, related to the ownership or management of the cooperative are considered related parties, in accordance with General Cooperative Law, the provisions of the Accounting Standards Compendium of the Chilean Central Bank, and the accounting instructions issued by the SBIF.

As of December 31, 2015, loans and receivables with related parties were as follows:

	<u>Portfolio Not due</u>	<u>Portfolio Overdue</u>	<u>Total</u>	<u>Guarantees</u>
	MCh\$	MCh\$	MCh\$	MCh\$
Individuals (*)	<u>414.9</u>	<u>-</u>	<u>414.9</u>	<u>431.5</u>
Total	414.9	-	414.9	431.5
	====	=====	====	====

As of December 31, 2014, loans and receivables with related parties were as follows:

	<u>Portfolio Not due</u>	<u>Portfolio Overdue</u>	<u>Total</u>	<u>Guarantees</u>
	MCh\$	MCh\$	MCh\$	MCh\$
Individuals (*)	<u>867.6</u>	<u>-</u>	<u>867.6</u>	<u>475.8</u>
Total	867.6	-	867.6	475.8
	====	=====	====	====

(\*) Only includes the obligations of natural persons whose debts are equal to or greater than UF 3,000.

As of December 31, 2015 and 2014, the Cooperative has a loan receivable with related parties for an amount exceeding UF 1,000.

#### NOTE 6 – PROVISIONS

Allowance for assets at risk

Movements in the allowance for assets at risk as of December 31, 2015 and 2014 were as follows:

	<u>Loans and receivables</u>	Goods received in payment	Other assets	<u>Total</u>
	MCh\$	MCh\$	MCh\$	MCh\$
Balances as of December 31, 2013	67,127.8	-	-	67,127.8
Allowances applied	(50,035.7)	-	-	(50,035.7)
Creation of provisions	53,654.2	-	-	53,654.2
Provisions released	<u>(4,075.5)</u>	<u>-</u>	<u>-</u>	<u>(4,075.5)</u>
Balances as of December 31, 2014	<u>66,670.8</u>	<u>-</u>	<u>-</u>	<u>66,670.8</u>
Unrecognized CPI adjustment (3.9%)	<u>2,600.2</u>	<u>-</u>	<u>-</u>	<u>2,600.2</u>
Indexed balance as of December 31, 2014	<u>69,271.0</u>	<u>-</u>	<u>-</u>	<u>69,271.0</u>
	=====	=====	=====	=====
Balances as of December 31, 2014	66,670.8	-	-	66,670.8
Allowances applied	(51,407.4)	-	-	(51,407.4)
Creation of provisions (1)	55,617.7	-	-	55,617.7
Provisions released	<u>(5,724.1)</u>	<u>-</u>	<u>-</u>	<u>(5,724.1)</u>
Balances as of December 31, 2015	<u>65,157.0</u>	<u>-</u>	<u>-</u>	<u>65,157.0</u>
	=====	=====	=====	=====

- (1) A Board of Directors Meeting was held on January 13, 2016 and in accordance with the regulations issued by the SBIF, it was agreed that the Cooperative should establish additional provisions on its loans and receivables portfolio, due to expected portfolio impairment. This provision was based on the Bank's past experience and potential adverse macroeconomic expectations, or circumstances that may affect a particular sector, industry, debtor group or project. As of December 31, 2015 and 2014, this additional provision was MCh\$ 2,500.

In addition, as explained in Note 3 (Accounting Changes), the Cooperative updated its credit risk provision model, generating a debit to net income for 2015 of MCh\$ 1,410.

In Management's opinion, the allowances recorded cover all potential losses that may arise from assets at risk, based on the information examined by the Cooperative.

## NOTE 7 – EQUITY

## a) Equity

Movements in equity during 2015 and 2014 were as follows:

	<u>Share capital</u>	<u>Reserves</u>	<u>Net income for the year</u>	<u>Total</u>
	MCh\$	MCh\$	MCh\$	MCh\$
Balances as of December 31, 2013	225,123.9	89,762.4	30,538.5	345,424.8
Net income distributed	-	-	(24,430.8)	(24,430.8)
Increase in capital stock	11,095.7	-	-	11,095.7
Capitalization of reserves (1)	-	6,107.7	(6,107.7)	-
Capitalization of reserves (2)	-	7.0	-	7.0
Revaluation of capital	13,096.0	6,002.1	-	19,098.1
Net income for the year	<u>-</u>	<u>-</u>	<u>31,031.0</u>	<u>31,031.0</u>
Balances as of December 31, 2014	249,315.6	101,879.2	31,031.0	382,225.8
Unrecognized CPI adjustment (3.9%)	<u>9,723.3</u>	<u>3,973.2</u>	<u>1,210.2</u>	<u>14,906.7</u>
Indexed balances as of December 31, 2014	<u>259,038.9</u>	<u>105,852.4</u>	<u>32,241.2</u>	<u>397,132.5</u>
Balances as of December 31, 2014	249,315.6	101,879.2	31,031.0	382,225.8
Net income distributed	-	-	(24,824.8)	(24,824.8)
Increase in capital stock	11,669.4	-	-	11,669.4
Capitalization of reserves (1)	-	6,206.2	(6,206.2)	-
Capitalization of reserves (2)	-	4.5	-	4.5
Revaluation of capital	9,911.6	4,519.4	-	14,431.0
Net income for the year	<u>-</u>	<u>-</u>	<u>35,610.2</u>	<u>35,610.2</u>
Balances as of December 31, 2015	<u>270,896.6</u>	<u>112,609.3</u>	<u>35,610.2</u>	<u>419,116.1</u>

## b) Reserves

- (1) In accordance with Article 38 of General Cooperative Law, no less than 20% of net income for the year should be used to increase the Legal Reserve Fund. This criterion was ratified in 2010 by the Department of Cooperatives, according to Official Bulletin 3182 dated April 29, 2010.
- (2) In accordance with Article 100 of the Regulations in General Cooperative Law, donations, excess refunds not recovered by shareholders within a five year period from the date on which they fell due for payment, and any unidentified funds received by a cooperative shall increase the Legal Reserve Fund of those co-operatives that have such a fund.

In 2015 the Cooperative transferred MCh\$ 6,206.2 (MCh\$ 6,107.7 in 2014) from net income to its Legal Reserve Fund. These reserves form part of the total reserves presented in equity and totaled MCh\$ 112,609.3 as of December 31, 2015 (MCh\$ 101,879.2 in 2014).

## c) Net income distributed

A General Shareholders' Meeting held on April 18, 2015 agreed to distribute to the shareholders the net income for 2014, after the transfer to the Legal Reserve Fund as described in Note 7b above, totaling MCh\$ 24,824.8 (MCh\$ 24,430.8 in 2014).

## d) Regulatory equity

In accordance with the provisions of Chapter III.C.2-2 of the Accounting Standards Compendium issued by the Chilean Central Bank, Savings and Loans Cooperatives that are supervised by the SBIF must have regulatory equity of not less than 10% of their risk-weighted assets net of required provisions, nor less than 5% of their total assets net of required provisions. In addition, this is calculated using the risk weighted assets defined in Article 67 of DFL 3, dated 1997, which contains the General Banking Law.

At the reporting date, the Cooperative had the following:

	<u>2015</u>	<u>2014</u>
	MCh\$	MCh\$
Regulatory equity (*)	419,116.1	397,132.5
Total assets	1,241,436.8	1,188,142.4
Percentage	33.76%	33.42%
Regulatory equity (*)	419,116.1	397,132.5
Risk weighted assets	1,025,012.5	985,282.4
Percentage	40.89%	40.31%

(\*) Equivalent to share capital plus reserves, as defined in Circular letter No. 108 for Cooperatives issued by the SBIF and Chapter III.C.2 of the Accounting Standards Compendium issued by the Chilean Central Bank.

## NOTE 8 – INVESTMENTS

## a) Financial investments

As of December 31, 2015 and 2014, the Cooperative had the following investments, as described in Note 2(e):

As of December 31, 2015

<u>Instruments</u>	<u>Portfolio</u>		<u>Total</u>	<u>Market adjustment</u>	
	<u>Permanent Term</u>	<u>Not Permanent Term</u>		<u>To net income</u>	<u>To equity</u>
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Chilean Central Bank	-	42,583.6	42,583.6	(426.2)	-
Chilean Treasury	-	11,042.2	11,042.2	(92.6)	-
Other State agencies	-	-	-	-	-
Chilean financial institutions	-	30,243.3	30,243.3	-	-
Other Chilean investments	-	-	-	-	-
Foreign investments	-	-	-	-	-
Letters of credit	-	-	-	-	-
Total	-	83,869.1	83,869.1	(518.8)	-
	=====	=====	=====	=====	=====

As of December 31, 2014

Instruments	Portfolio			Market adjustment	
	Permanent Term	Not Permanent Term	Total	To net income	To equity
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Chilean Central Bank	-	-	-	-	-
Chilean Treasury	-	-	-	-	-
Other State agencies	-	-	-	-	-
Chilean financial institutions	52,743.0	-	52,743.0	-	-
Other Chilean investments	-	-	-	-	-
Foreign investments	-	-	-	-	-
Letters of credit	-	-	-	-	-
Total	52,743.0	-	52,743.0	-	-

## b) Other non-financial investments

	2015	2014
	MCh\$	MCh\$
Other non-financial investments (*)	27.7	30.1
Assets received or awarded in lieu of payment	417.6	206.5
Total	445.3	236.6

(\*) Represents shares of service companies whose acquisition is associated with their contracted services and are valued at market value.

## NOTE 9 - ASSETS AND LIABILITIES MATURITIES

## a) Maturities of loans and receivables and financial investments

Loans and receivables and financial investments grouped according to their due date were as follows. Balances include interest accrued as of December 31, 2015 and 2014:

As of December 31, 2015:

	Less than <u>one year</u>	Over 1 year <u>Up to 3 years</u>	Over 3 years <u>Up to 6 years</u>	Over <u>6 years</u>	Total
Loans and receivables (1)	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Commercial loans and others	7,304.8	5,518.7	3,278.1	6,285.1	22,386.7
Residential mortgage loans	20,391.2	37,855.1	55,686.8	241,793.5	355,726.6
Consumer loans	252,707.6	337,462.8	190,243.2	10,622.5	791,036.1
Other credit transactions:					
Financial investments	-	-	-	-	-
Trading portfolio	30,379.2	52,971.1	-	-	83,350.3
Total	310,782.8	433,807.7	249,208.1	258,701.1	1,252,499.7

As of December 31, 2014

	<u>Less than one year</u>	<u>Over 1 year Up to 3 years</u>	<u>Over 3 years Up to 6 years</u>	<u>Over 6 years</u>	<u>Total</u>
<b>Loans and receivables (1)</b>	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Commercial loans and others	7,457.8	5,583.1	3,202.4	6,303.7	22,547.0
Residential mortgage loans	19,397.3	35,971.6	53,117.5	239,525.6	348,012.0
Consumer loans	258,275.7	334,821.7	177,831.0	9,178.8	780,107.2
Other credit transactions:					
Financial investments	-	-	-	-	-
Trading portfolio	<u>52,743.0</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,743.0</u>
Total	<u>337,873.8</u>	<u>376,376.4</u>	<u>234,150.9</u>	<u>255,008.1</u>	<u>1,203,409.2</u>
	=====	=====	=====	=====	=====

(1) Present current valid loans at the reporting date, that mature within the indicated periods. Therefore, it excludes loans transferred to the overdue portfolio, and non-performing loans that have not been transferred to the overdue portfolio, of MCh\$ 82.8, MCh\$ 259.3 and MCh\$ 3,545.3 for commercial, mortgage and consumer portfolios, respectively (MCh\$ 106.0, MCh\$ 236.5 and MCh\$ 4,017.0 in 2014). However, MCh\$ 2,672.1 (MCh\$ 2,936.6 in 2014) of these non-performing loans had an overdue of less than 30 days.

b) Maturities of deposits, financial liabilities and other financing operations

Deposits, financial liabilities and other obligations payable are presented according to their due date were as follows. Balances include interest accrued as of December 31, 2016 and 2015:

As of December 31, 2015:

	<u>Less than one year</u>	<u>Over 1 year Up to 3 years</u>	<u>Over 3 years Up to 6 years</u>	<u>Over 6 years</u>	<u>Total</u>
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
<b>Deposits and other obligations (*)</b>					
Deposits	499,579.0	1,826.6	-	-	501,405.6
Other term deposits	18,393.7	-	-	-	18,393.7
<b>Bonds payable</b>					
Series B2 Bonds	3,429.7	6,883.6	11,607.5	37,064.2	58,985.0
Series C Bonds	3,215.8	4,767.8	7,197.8	31,585.7	46,767.1
Series D2 Bonds	3,575.9	6,329.6	9,494.3	55,383.6	74,783.4
Series E2 Bonds	872.2	-	-	76,506.1	77,378.3
<b>Loans payable to financial institutions</b>					
Loans payable to Chilean financial institutions	18,770.0	-	7,067.3	-	25,837.3
Other obligations	<u>827.4</u>	<u>43.5</u>	<u>29.6</u>	<u>26.0</u>	<u>926.5</u>
Total	<u>548,663.7</u>	<u>19,851.1</u>	<u>35,396.5</u>	<u>200,565.6</u>	<u>804,476.9</u>
	=====	=====	=====	=====	=====

As of December 31, 2014

	<u>Less than one year</u>	<u>Over 1 year Up to 3 years</u>	<u>Over 3 years Up to 6 years</u>	<u>Over 6 years</u>	<u>Total</u>
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
<b>Deposits and other obligations (*)</b>					
Deposits	476,661.9	12,861.8	-	-	489,523.7
Other term deposits	13,938.9	-	-	-	13,938.9
<b>Bonds payable</b>					
Series B1 Bonds	3,285.1	6,560.0	11,062.4	41,047.4	61,954.9
Series B2 Bonds	3,241.7	4,752.4	7,168.5	33,935.5	49,098.1
Series C Bonds	3,639.8	6,319.3	9,479.0	58,338.3	77,776.4
<b>Loans payable to financial institutions</b>					
Financial liabilities with Chilean financial institutions	53,001.3	18,542.4	-	-	71,543.7
Other obligations	<u>1,524.4</u>	<u>310.6</u>	<u>37.1</u>	<u>36.4</u>	<u>1,908.5</u>
Total	<u>555,293.1</u>	<u>49,346.5</u>	<u>27,747.0</u>	<u>133,357.6</u>	<u>765,744.2</u>

(\*) Excludes all demand obligations of MCh\$ 12,297.6 (MCh\$ 18,819.3 in 2014).

## NOTE 10 - FOREIGN CURRENCY BALANCES

The statements of financial position include assets and liabilities in foreign currency or units indexed to variations in exchange rates, detailed as follows:

	<u>Payable in</u>				<u>Total</u>	
	<u>Foreign Currency</u>		<u>Chilean pesos (*)</u>		<u>2015</u>	<u>2014</u>
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>		
	(thousands)	(thousands)	(thousands)	(thousands)	(thousands)	(thousands)
<b>ASSETS</b>						
Available funds	105.8	182.5	-	-	105.8	182.5
Loans and receivables	64.2	59.6	-	-	64.2	59.6
Other assets	<u>-</u>	<u>22.9</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22.9</u>
Total assets	<u>170.0</u>	<u>265.0</u>	<u>-</u>	<u>-</u>	<u>170.0</u>	<u>265.0</u>
<b>LIABILITIES</b>						
Deposits	863.3	7.6	-	-	863.3	7.6
Liabilities to foreign banks	<u>-</u>	<u>625.9</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>625.9</u>
Total liabilities	<u>863.3</u>	<u>633.5</u>	<u>-</u>	<u>-</u>	<u>863.3</u>	<u>633.5</u>

(\*) This includes transactions expressed in foreign currency and paid in pesos or readjusted to variations in exchange rates.



## NOTE 11 - TRANSACTIONS WITH DERIVATIVES

The Cooperative had no derivative transactions as of December 31, 2015.

As of December 31, 2014, it had the following financial derivatives balances, as described in Note 2f, which matured in June 2015.

a) Contracts with foreign currencies and interest rates for these currencies.

FUTURE TRANSACTION	Number of <u>Transactions</u>	<u>Contract values</u>		<u>Total</u> MU\$
		Less than <u>one year</u> MU\$	Over <u>one year</u> MU\$	
<b>Local Market:</b>				
Foreign currency forwards under Chilean pesos	1	-	-	0.6
Total	1	-	-	0.6
	=====	=====	=====	=====

b) The Cooperative does not have any derivative contracts in the external market.

## NOTE 12 - OTHER ASSETS AND LIABILITIES

"Other assets" and "Other Liabilities" in the financial position statements were as follows:

a) Other assets:

	<u>2015</u> MCh\$	<u>2014</u> MCh\$
Intangible assets	7,644.4	3,692.1
Insurance receivables	2,652.3	1,924.5
Credit card receivables	2,388.2	2,401.3
Prepayments on property, plant and equipment	2,352.2	15.3
Documents in guarantee	1,482.6	1,515.7
Others	401.7	127.6
Lease guarantees	341.8	267.6
Debtors for pending transactions	267.3	206.7
Prepaid expenses	135.6	143.2
Receivables from agreements	109.2	304.8
Receivable taxes	82.6	85.3
Financial instruments (Swap)	-	40.2
Total	17,857.9	10,724.3
	=====	=====

## b) Other liabilities:

	<u>2015</u>	<u>2014</u>
	MCh\$	MCh\$
Staff severance provision	2,454.7	3,480.1
Accrued vacation provision	2,086.6	2,038.3
Income tax provision	668.4	469.1
Value added tax (VAT) payable	141.7	164.1
Accounts payable from agreements	135.1	225.6
Creditors for pending transactions	<u>59.7</u>	<u>69.3</u>
Total	<u>5,546.2</u>	<u>6,446.5</u>

## NOTE 13 - CONTINGENCIES, COMMITMENTS AND RESPONSIBILITIES

## a) Commitments and responsibilities recorded in off-balance sheet accounts

The Cooperative records the following balances related to business commitments and responsibilities in off-balance sheet accounts as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
	MCh\$	MCh\$
Loans approved but not disbursed	<u>21,588.4</u>	<u>35,513.4</u>
Total	<u>21,588.4</u>	<u>35,513.4</u>

## NOTE 14 - FEES AND COMMISSIONS

Commission income and expenses in the statement of net income were as follows:

	<u>Income</u>		<u>Expenses</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	MCh\$	MCh\$	MCh\$	MCh\$
Insurance collection	15,681.2	15,547.7	-	-
Settlements and prepayments	4,750.7	4,128.6	-	-
Credit cards	585.0	540.7	1,040.1	995.5
Mortgage loans	84.5	50.6	326.8	575.7
On demand accounts	11.2	-	-	-
Others	-	70.8	239.5	253.7
Banking Services	-	-	124.8	71.2
Debit Cards	<u>-</u>	<u>-</u>	<u>237.3</u>	<u>308.8</u>
Total	<u>21,112.6</u>	<u>20,338.4</u>	<u>1,968.5</u>	<u>2,204.9</u>

**NOTE 15 - COSTS OF MANAGEMENT BODIES**

During 2015 MCh\$ 706.7 (MCh\$ 627.6 in 2014) was disbursed and debited to net income for remuneration paid to members of the Board of Directors, Credit Committee and Supervisory Board.

**NOTE 16 - INCOME TAXES**

As of December 31, 2015, the Cooperative recorded an Income Tax expense of MCh\$ 691.4 (MCh\$ \$481.5 in 2014).

**NOTE 17 - SUBSEQUENT EVENTS**

At an Extraordinary Board Meeting held on January 13, 2016, the Board of Directors approved an additional provision of MCh\$ 1,146, as a prudential credit risk measure, in response to the impending risks appearing in the Chilean economy and external circumstances relating to cooperatives, as stipulated in the Regulations that apply to cooperatives (Chapter 7-10 of the UCS). The cumulative provision, including the additional provision amounts to MCh\$ 2,500.

Between January 1, 2016, and the date these financial statements were issued (January 27, 2016), there have been no other events after the reporting period that significantly affect their presentation.

**NOTE 18. ACCOUNTING STANDARDS APPLICABLE FOR 2017 AND ONWARDS**

As of January 1, 2017, Savings and Loans Cooperatives shall apply the regulatory accounting framework described in the "Accounting Standards Compendium" issued by the SBIF, in accordance with Circular letter No. 162 issued by the SBIF on August 19, 2015. Any accounting matters not dealt with by this Compendium should be treated in accordance with Chilean Generally Accepted Accounting Principles (GAAP), which are the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and adopted by the Chilean Accountants College A.G.

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